

Rail Freight Fund – Report for Fiscal Year 2006

This report on the Rail Freight Fund (RFF) is required by Section 15a (4) of Public Act 747 of 2002 which amended 1976 Public Act 295 by adding Section 15a. The Department's authority to deposit funds in the Rail Freight Fund and to provide financial assistance for facilities of rail freight and marine freight transportation are specified in Section 17 of this Public Act.

The fund balance at the beginning of FY 2006 was \$563,392.05. Revenues received total \$1,000,432.61. Expenditures were \$1,074,877.97 and outstanding encumbrances total \$276,546.73. The fund balance at the end of FY 2006 was \$212,399.96.

Two projects received funding from the RFF during Fiscal Year 2006:

(1) A track improvement project on a segment of state-owned line, operated by the Huron & Eastern Railway, was completed and closed out in 2004. The project included ties, surfacing and ballast over four miles of the railroad's Caro Branch. An outstanding invoice (\$15,995.01) was discovered during the subject fiscal year, and payment was made using funds from the RFF. (The total cost of the project was \$130,414.51.)

(2) The RFF also partially funded a track rehabilitation project on a segment of state-owned line operated by the Indiana Northeastern in the amount of \$1,335,469.69. The project extends from Hillsdale to Quincy and will be completed early next year. (The total cost of the project is estimated at \$1,900,000.00.)

There were no Freight Economic Development Program (FEDP) projects using FY 2006 RFF funding. All FEDP projects, which received funding in previous years from the RFF and that are still under contractual requirements to meet certain car loading requirements, are listed on the attached chart entitled, "Status of Freight Economic Development Loans/Grants Funded from the Rail Freight Fund".

Freight Services & Safety Division
Bureau of Aeronautics and Freight Services
Michigan Department of Transportation

Freight Economic Development Program (FEDP) Loans/Grants - Funded from the Rail Freight Fund (RFF)

Company	Contract No.	FY	Total Cost of Project	Amount Funded from RFF	Amount Disbursed	Amount Paid Back
Ogihara America Corp.	1998-0365	1998	\$905,000.00	\$433,065.16	\$433,065.16	\$152,396.55
Poly-Chesterfield, LLC	2001-0406	2001	\$130,000.00	\$65,000.00	\$65,000.00	\$5,173.19
*Victor Fiber & Supply Inc.	2002-0125	2002	\$70,000.00	\$25,408.90	\$25,408.90	\$4,657.52
Depot Enterprise, LLC	2002-0129	2002	\$128,500.00	\$64,250.00	\$64,250.00	\$23,996.63
Luce County EDC	2003-0493	2003	\$647,000.00	\$126,000.00	\$126,000.00	\$3,990.67
D&K Investments LLC	2003-0633	2003	\$20,733.00	\$10,366.50	\$10,366.50	\$0.00
J. Rettenmaier USA, LP (ACTIVE)	2004-0227	2004	\$707,212.00	\$85,188.00	\$88,771.70	\$0.00
*Global Engine Asset Co., LLC (ACTIVE)	2004-0339	2004	\$1,509,422.00	\$339,252.61	\$529,711.00	\$0.00
*Lake State Railway Co. - A&L Iron (ACTIVE)	2004-0237	2005	\$4,500,000.00	\$161,855.00	\$781,730.00	\$0.00
Total FEDP Loans/Grants - Funded from Rail Freight			\$8,617,867.00	\$1,310,386.17	\$2,124,303.26	\$190,214.56

*Note 1: Global Engine Asset Co., LLC (2004-0339) was awarded a FEDP Loan/Grant of \$529,711.00; this chart shows only the amount funded from the Rail Freight Fund.

*Note 2: Lake State Railway Co. (2004-0237) was awarded a FEDP Loan/Grant of \$971,609.95; this chart shows only the amount funded from the Rail Freight Fund.

*Note 3: Victor Fiber & Supply, Inc. (2002-0125) - The contract was originally for \$34,728 (RFF). It was amended reducing the amount to \$25,408.90 (RFF).

THRU FISCAL YEAR ENDING 9/30/06

Rail Infrastructure Loan Program - Report for Fiscal Year 2006

This report on the rail infrastructure loan program is required under 1976 Public Act 295, Section 15a (4).

Originally established under Section 710 of Public Act 341 of 1996 to help finance capital improvements on Michigan's freight railroad infrastructure, the rail infrastructure loan program, also known as the Michigan Rail Loan Assistance Program (MiRLAP), was placed in statute through the enactment of Public Act 747 of 2002 which amended 1976 P.A. 295 by adding Section 15a. The loan program helps preserve and improve freight railroad infrastructure by making interest free loans to local governments, economic development corporations, railroads, and current or potential users of freight railroad services for qualifying projects. Money received as repayment for loans made under this program, together with interest earned and any penalties assessed and received for failure to repay loans on time are credited to the fund to be allocated for the purposes of the program. Therefore, the fund is structured as a "revolving" loan fund so that loans can continue to be made for rail infrastructure improvements in perpetuity.

Fund Balance

The fund balance is a calculated balance and refers to all funds dedicated for the purposes of the Rail Infrastructure Loan Program including funds obligated by contract, but not yet drawn down. The fund balance at the beginning of FY 2006 was \$4,936,169.50. After adding the appropriation of \$100,000.00 for FY 2006, the fund balance increased to \$5,036,169.50. Loan repayments totaled \$934,315.62 and accrued interest revenue amounted to \$186,680.06. Payments to loan recipients totaled \$553,945.87; this is the amount reimbursed to loan recipients for rail freight infrastructure improvements during the subject fiscal year. Therefore, the fund balance at the end of FY 2006 was \$5,603,219.31.

Amount Available for New Loans (Available Balance)

The amount available for new loans at the beginning of FY 2006 was \$1,423,068.05. After adding the FY 2006 appropriation of \$100,000.00, this amount increased to \$1,523,068.05. Revenues and loan repayments received totaled \$1,120,995.68. Reductions to outstanding contracts totaled \$1,128,213.58. Contracts entered into totaled \$2,674,874.00.¹ Therefore, the amount available for new loans at the end of FY 2006 was \$1,097,403.31.

Projects placed under contract in Fiscal Year 2006, together with information on all loan contracts funded under the loan program since its inception, are listed on the attached chart entitled "Status of Rail Infrastructure Loan Agreements". All loans remain in good standing.

Freight Services & Safety Division
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¹ Loan Contracts 2006-0260, 2006-0261 and 2006-0259 were awarded following the call for projects for FY 2006.

Status of Rail Infrastructure Loan Agreements

Company	Contract #	FY	Loan Amount	Amount Disbursed	Amount Paid Back	Amount Outstanding
Luce County Economic Development Corporation	1997-0585	1997	\$62,896.00	\$62,896.00	\$62,896.00	\$0.00
Central Michigan Railway Company	1997-0588	1997	\$1,000,000.00	\$1,000,000.00	\$675,000.27	\$324,999.73
Indiana & Ohio Railway	1998-0629	1998	\$271,776.00	\$271,776.00	\$271,776.00	\$0.00
Lake State Railway Company	1998-0632	1998	\$450,000.00	\$450,000.00	\$450,000.00	\$0.00
Norfolk Southern Corporation	1999-0317	1999	\$424,804.59	\$424,804.59	\$201,782.09	\$223,022.50
Middleton Investment Group	2000-0010	1999	\$500,000.00	\$500,000.00	\$325,000.52	\$174,999.48
Central Michigan Railway Company	2000-0291	2000	\$607,500.00	\$607,500.00	\$258,187.50	\$349,312.50
Monitor Sugar Company	2000-0292	2000	\$573,000.00	\$573,000.00	\$128,925.00	\$444,075.00
Conrad Yelvington (3rd Coast)	2000-0293	2000	\$751,500.00	\$751,500.00	\$281,812.50	\$469,687.50
The Anderson's, Inc.	2000-0294	2000	\$410,602.63	\$410,602.63	\$236,096.28	\$174,506.35
Charlotte Southern Railway Company	2000-0740	2000	\$135,000.00	\$135,000.00	\$49,005.00	\$85,995.00
Detroit Connecting Railroad Company	2000-0741	2000	\$49,593.54	\$49,593.54	\$17,357.76	\$32,235.78
Lapeer Industrial Railroad Company	2000-0742	2000	\$40,000.00	\$40,000.00	\$14,000.00	\$26,000.00
Lake State Railway Company	2001-0938	2001	\$898,750.25	\$898,750.25	\$269,625.12	\$629,125.13
Depot Enterprise	2002-0352	2002	\$666,803.87	\$666,803.87	\$230,415.12	\$436,388.75

Status of Rail Infrastructure Loan Agreements

Company	Contract #	FY	Loan Amount	Amount Disbursed	Amount Paid Back	Amount Outstanding
Kerry Steel Pickling (Kasle)	2002-0554	2002	\$633,960.00	\$633,960.00	\$221,886.00	\$412,074.00
CSX Transportation Inc.	2002-0328	2002	\$672,603.00	\$672,603.00	\$151,344.00	\$521,259.00
Central Michigan Railway Company	2002-0552	2002	\$135,037.62	\$135,037.62	\$43,887.22	\$91,150.40
Lapeer Industrial Railroad Company	2001-0368	2001	\$78,800.00	\$78,800.00	\$19,700.00	\$59,100.00
Tuscola & Saginaw Bay Railway	2003-0495	2003	\$280,163.77	\$280,163.77	\$67,490.63	\$212,673.14
Luce County Economic Development Corporation	2003-0494	2003	\$198,000.00	\$198,000.00	\$34,650.00	\$163,350.00
Wayne Industries, Inc.	2003-0496	2003	\$74,947.00	\$74,947.00	\$18,740.00	\$56,207.00
Indiana Northeastern Railroad	2004-0233	2004	\$360,000.00	\$360,000.00	\$63,000.00	\$297,000.00
Lake State Railway Company (ACTIVE)	2004-0236	2004	\$1,000,000.00	\$0.00	\$0.00	\$0.00
J. Rettenmaier USA LP	2004-0228	2004	\$450,552.88	\$450,552.88	\$22,528.00	\$428,024.88
Lake State Railway Company	2005-0155	2005	\$458,069.54	\$458,069.54	\$45,806.96	\$412,262.58
Tuscola & Saginaw Bay Railway	2005-0142	2005	\$247,948.00	\$247,948.00	\$24,794.80	\$223,153.20
US Bio Woodbury, LLC (ACTIVE)	2005-0143	2005	\$506,281.00	\$0.00	\$0.00	\$0.00
Detroit Connecting Railroad Company (ACTIVE)	2005-0140	2005	\$90,000.00	\$0.00	\$0.00	\$0.00
Adrian & Blissfield Rail Road (ACTIVE)	2005-0138	2005	\$171,000.00	\$0.00	\$0.00	\$0.00

FOR THE FISCAL YEAR ENDING 9/30/06

Status of Rail Infrastructure Loan Agreements

Company	Contract #	FY	Loan Amount	Amount Disbursed	Amount Paid Back	Amount Outstanding
Davis Cartage Company (ACTIVE)	2005-0139	2005	\$63,661.00	\$0.00	\$0.00	\$0.00
National Standard, LLC (ACTIVE)	2006-0260	2006	\$674,874.00	\$0.00	\$0.00	\$0.00
L. Walther & Sons, Inc.(ACTIVE)	2006-0261	2006	\$1,000,000.00	\$0.00	\$0.00	\$0.00
Dearborn Steel Center, Inc. (ACTIVE)	2006-0259	2006	\$1,000,000.00	\$0.00	\$0.00	\$0.00
Total MiRLAP Loans			\$14,938,124.69	\$10,432,308.69	\$4,185,706.77	\$6,246,601.92